

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 IO-13 ISO-00 L-03 FRB-03 OMB-01 ITC-01

SP-02 USIA-06 AGR-05 AID-05 CIAE-00 COME-00 EB-07

INR-07 LAB-04 NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00

CIEP-01 CEA-01 FEA-01 ERDA-05 DODE-00 FPC-01 H-02

INT-05 NSC-05 PM-04 SAM-01 OES-06 SS-15 ACDA-07 /141 W

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R 302135Z JUL 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 1194

INFO USUN NEW YORK 769

USMISSION GENEVA

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L LIMA 6901

DEPARTMENT FOR UNDER SECRETARY ROGERS FROM FRANK

EO 11652: GDS

TAGS: OECD, UNCTAD, EGEN, ERRD, EFIN, EAID, ENRG, PFOR, MX

SUBJECT: DISCUSSIONS WITH MEXICAN OFFICIALS CONCERNING CIEC
AND UNCTAD

1. CHARLES FRANK (E) MET JULY 27 WITH ESPINOSA DE LOS REYES
OF FOREIGN MINISTRY AND ROMERO FLORES OF MINISTRY OF NATIONAL
PATRIMONY ON UNCTAD AND CIEC. DE LOS REYES HAS FOREIGN MINISTRY
RESPONSIBILITY FOR INTERNATIONAL ECONOMIC FORA SUCH AS UNCTAD
AND CIEC. FLORES IS SPECIAL ASSISTANT TO SECRETARY ALEJO AND
WAS MEXICO'S REPRESENTATIVE TO THE RAW MATERIALS COMMISSION.

2. BOTH OFFICIALS WERE VERY FRANK IN STRESSING THAT MEXICO
HAD LITTLE TO GAIN, INDEED MIGHT LOSE, IN TERMS OF MATERIAL
BENEFITS FROM THE ISSUES BEING DISCUSSED IN BOTH CIEC AND UNCTAD.
MEXICO HAS NO SERIOUS PROBLEMS IN ENERGY AND SEES LITTLE BENEFIT
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FOR ITSELF IN ENERGY COOPERATION. THE COMMON FUND IS MORE

LIKELY TO HURT MEXICO THAN HELP IT. MEXICO IMPORTS FAR MORE COMMODITIES THAN IT EXPORTS. MEXICO HAS ONLY A MILD INTEREST IN DISCUSSIONS ON THREE COMMODITIES - COFFEE, COTTON AND HARD FIBERS - AND NO INTEREST IN SEEING PRICES RAISED FOR THE FIFTEEN OTHER COMMODITIES ON THE UNCTAD LIST. MEXICO HAS LITTLE INTEREST IN THE DEBT ISSUE BEING DISCUSSED IN CIEC.

3. FOR MEXICO, THE NORTH-SOUTH DIALOGUE IS SEEN LARGELY IN POLITICAL TERMS. THE MEXICANS HAVE TWO MAIN GOALS AS THEY PARTICIPATE IN THESE DISCUSSIONS: (1) MAINTENANCE OF G-77 SOLIDARITY, (2) DEFENSE OF THE PRINCIPLE OF NATIONAL SOVEREIGNTY OVER NATURAL RESOURCES.

4. THE MEXICANS ARE VERY PESSIMISTIC OVER THE FUTURE OF THE CIEC DIALOGUE DESPITE THEIR ENTHUSIASM EARLY THIS YEAR. FLORES SUGGESTED, HOWEVER, THAT THE GROUP OF 77 IS SPLIT ON THIS ISSUE. HE SAID THAT SOME DEVELOPING COUNTRIES HAD ARGUED IN PARIS AT THE JULY MEETINGS THAT THE CIEC DISCUSSIONS ON RAW MATERIALS WERE NECESSARY TO COMPLEMENT THE UNCTAD DISCUSSIONS. OTHER COUNTRIES THOUGHT USEFUL RESULTS MIGHT BE ACHIEVED ON ENERGY COOPERATION AND ON DEBT. FLORES DID NOT THINK A SEPTEMBER CIEC MEETING WOULD BE HELD AND THOUGHT THAT THE ONLY WAY TO GET THE CIEC DISCUSSIONS MOVING AGAIN WAS TO RECONVENE THE SENIOR OFFICIALS LEVEL MEETING. FLORES SAID THAT IT WAS GENERALLY AGREED AMONG THE G-19 THAT THE SENIOR OFFICIALS DID NOT DO THEIR JOB OF IMPARTING POLITICAL WILL TO THE EXPERTS' EFFORTS IN THE INDIVIDUAL COMMISSIONS. HE SAW NO HOPE OF PROGRESS TOWARD CONCRETE RESULTS UNLESS SUCH POLITICAL IMPETUS WERE GIVEN.

5. FRANK INVITED FLORES TO TAKE OFF HIS GOVERNMENT OFFICIAL'S HAT AND PUT ON HIS ACADEMIC HAT (FLORES IS FORMER PROFESSOR OF ECONOMICS AT THE COLEGIO DE MEXICO). FRANK SAID THAT AN ECONOMIST SUCH AS FLORES MUST KNOW THAT THE PROPOSAL TO INDEX PRICES OF RAW MATERIALS TO PRICES OF MANUFACTURED GOODS WAS IMPRACTICAL, INEQUITABLE, AND UNSOUND ON ECONOMIC GROUNDS. IT WOULD BE IMPOSSIBLE, FRANK SUGGESTED, FOR CIEC TO ACHIEVE POSITIVE RESULTS ON

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INDEXATION ALTHOUGH CIEC MIGHT CONCEIVABLY BE ABLE TO RECOMMEND MEASURES TO INCREASE THE PURCHASING POWER OR REAL VALUE OF LDC EXPORT EARNINGS (NOT PRICES) FLORES AGREED BUT SAID THAT THE U.S. OUGHT TO BE WILLING TO CONCEDE SOME OF THE WORDING PUT FORWARD BY THE G-19 SINCE THEY WERE POLITICAL SYMBOLS AND FAILURE TO ACCEPT THEM WAS VERY THREATENING TO G-19 SOLIDARITY. FLORES SUGGESTED THAT IF WE WERE ABLE TO GET OVER OUR DIFFERENCES REGARDING POLI-

TICAL SYMBOLS, HE THOUGHT THAT THERE WAS FAR MORE POTENTIAL FOR AGREEMENT ON SUBSTANCE AND THAT MEXICAN AND U.S. SUBSTANTIVE POSITIONS ON ISSUES LIKE COMMODITIES AND DEBT WOULD NOT BE VERY FAR APART.

6. BOTH FLORES AND ESPINOSA THOUGHT U.S. IRB PROPOSAL SUFFERED FROM LACK OF CONSULTATION PRIOR TO AND DURING UNCTAD. THEY BOTH WERE NOT ENCOURAGING ABOUT MEXICAN SUPPORT BUT INDICATED THAT THEY MIGHT NOT OPPOSE THE PROPOSAL IF PRESENTED IN AN APPROPRIATE LIGHT AND NOT PERCEIVED AS A THREAT TO NATIONAL SOVEREIGNTY.

7. COMMENT: EMPHASIS BY ESPINOSA AND FLORES ON LACK OF MEXICAN ECONOMIC INTEREST IN NIEO ISSUES WAS CONSISTENT WITH VIEWS EXPRESSED TO SAM LEWIS AND ME BY RAPHAEL IZQUIERDO, CLOSE ECONOMIC ADVISOR TO PRESIDENT-ELECT LOPEZ-PORTILLO (SEE SEPTEL). IZQUIERDO SHOWED ALMOST TOTAL PREOCCUPATION WITH UNEMPLOYMENT AND OTHER INTERNAL ECONOMIC PROBLEMS, AND ALMOST NO INTEREST IN NIEO ISSUES. THIS MAY PRESAGE LESS STRIDENT MEXICAN POSITION INTERNATIONALLY AFTER LOPEZ-PORTILLO TAKES OVER.

8. ACTION REQUESTED: DEPARTMENT PLEASE REPEAT TO ALL CIEC POSTS.
SMITH

NOTE BY OC/T: NOT PASSED CIEC POSTS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, ENERGY, DIPLOMATIC DISCUSSIONS, INTERGOVERNMENTAL COOPERATION
Control Number: n/a
Copy: SINGLE
Draft Date: 30 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LIMA06901
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760296-0084
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976075/aaaaaecn.tel
Line Count: 141
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 06 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 APR 2004 by BoyleJA>; APPROVED <04 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DISCUSSIONS WITH MEXICAN OFFICIALS CONCERNING CIEC AND UNCTAD
TAGS: EGEN, PORG, EFIN, EAID, ENRG, PFOR, MX, US, OECD, UNCTAD, CIEC, (FRANK, CHARLES)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006